

# Representative Stark Testifies that Privatization of Social Security is Bad for the American People

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If President Bush and the House Majority want to replace current guaranteed Social Security benefits for some risky individual account benefit, then they should have some pride in their proposal and honestly share the details with the American people.

Thank you Chairman Shaw for the opportunity to testify today before the Ways and Means Social Security Subcommittee.

It's unfortunate that the Majority proposes one gimmick after another to try to inoculate themselves from the public backlash against their efforts to privatize Social Security. I assume the Majority engages in gimmicks because it cannot pass meaningful legislation to make Social Security solvent. Here are just some of the gimmicks I'm referring to:

## Gimmick #1

First, the House passed H. Con. Res. 282, Keeping the Social Security Promise Initiative, putting the Congress on record as opposing Social Security benefits cuts. Although a nice gesture, resolutions do nothing to protect the Social Security benefits of current and future beneficiaries.

## Gimmick #2

Second, Representative Dick Armey has proposed that the government provide "guarantee certificates" to current Social Security beneficiaries. These "guarantee certificates" are worthless pieces of paper. They guarantee nothing, protect nothing and do nothing. If these certificates were a real guarantee, however, they would protect fewer Americans than current law. These certificates would only be given to current beneficiaries, leaving anyone not on the rolls out in the cold.

If we are going down the route of certificates, however, why not make them legally binding and guarantee benefits to everyone who becomes eligible for Social Security? The certificates under H.R. 3135, Representative Armey & DeMint's bill, are not binding. Future Congresses, therefore, could repeal these "guarantees."

And why stop with Social Security? If this legislation moves forward, I will offer an amendment to provide Medicare Guarantee certificates to every American guaranteeing them access to fee for service Medicare once they turn 65. Now that's a guarantee the American public would support.

### Gimmick #3

The third gimmick and falsehood promulgated by the House Majority is idea that privatization is the savior of Social Security.

The Enron debacle is a clear example of why that is not true. Let's just ask some of the Enron employees if they wish they had their Social Security benefits in the stock market.

Recent surveys show that people are already delaying retirement because of stock market losses. Dumping Social Security benefits into stocks isn't going to make retirement more secure. In fact, it may well do the opposite.

Social Security protects against the risk of death or disability, the risk of low lifetime earnings, the risk of unexpectedly long life, and the risk of inflation. Individual accounts would not accumulate enough money to protect most of those who become disabled or families who lose a provider.

All Social Security privatization proposals reduce guaranteed Social Security benefits. The President's handpicked Social Security commission proposed cutting benefits for future retirees by 30-46 percent, reducing disability and survivor benefits, raising the retirement age, and drawing on general revenues.

Because of last year's tax cut, Congress couldn't pay for the transition to a private account Social Security system even if we wanted to! All the Social Security bills that propose individual accounts and do not cut benefits end up dipping into the general revenue fund to pay for them. If that is what Congress needs to do to make the Social Security system

solvent, then Congress should directly transfer general revenue funds into the Social Security Trust Fund. This is what I proposed in the last Congress. This proposal would be simpler administratively and would cut out high priced individual account managers who charge expensive fees.

Under privatization, lower-wage workers (which disproportionately includes minorities and women) would trade in their progressive Social Security benefit for a regressive individual account benefit. This occurs because individual savings accounts, which are based on a flat percentage of earnings (i.e. a non-progressive structure), would be substituted for Social Security benefits, which are calculated on a progressive basis.

I ask the House Majority to have a little respect for the American people and stop trying to dupe them out of their Social Security benefits with gimmicks.